

Michigan Department of Treasury  
496 (Rev.08/08)

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**Auditing Procedures Report v1.04**

Issued under Public Act 2 of 1998, as amended.

Unit Name	FERNDALE HOUSING COMMISSION	County	OAKLAND	Type	CITY	MuniCode	63-7-592
Opinion Date-Use Calendar	Jul 18, 2008	Audit Submitted-Use Calendar	Aug 6, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <u>NA</u>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 3,787,012.00
General Fund Expenditure:	\$ 3,767,118.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 9,341,754.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

PA (First Name)	JOHN	Last Name	DIPIERO	Ten Digt License Number	1101011469			
PA Street Address	397 SANDRIDGE DRIVE	City	HEMLOCK	State MI	Zip Code	48626	Telephone	+1 (989) 642-2092
PA Firm Name	JOHN C DIPIERO, CPA, PC	Unit's Street Address	415 WITHINGTON	City	FERNDALE	LU Zip	48220	

FERNDALE HOUSING COMMISSION

Financial Statements

December 31, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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FERNDALE HOUSING COMMISSION  
Management Discussion and Analysis  
December 31, 2007

This discussion and analysis of the Ferndale Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2007</u>	<u>Year 2006</u>
Operating Subsidies	\$ 307,817	\$ 308,774
Capital Projects Funds	57,500	180,283
Section 8 New Construction	253,313	518,126
Section 8 Housing Choice Vouchers	2,577,399	4,152,404

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 1,534,595	\$ 3,253,014	(1718,419)
Accounts Receivable	14,815	146,229	(131,414)
Investments (Restricted/Unrestricted)	2,351,044	244,417	2106,627
Prepaid Expenses	30,181	23,799	6,382

Management Discussion and Analysis, continued

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Fixed Assets, prior to			
Depreciation	\$ 10,284,774	\$10,284,774	\$ 0
Total Liabilities	197,819	324,635	(126,816)
Net Assets	9,341,754	9,321,860	19,894
	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	\$ 370,731	\$ 399,186	\$ (28,455)
HUD Grants	3,196,029	5,159,587	(1963,558)
Expenses:			
Administrative	555,230	509,847	45,383
Tenant Services	6,089	625	5,464
Utilities	170,193	172,897	(2,704)
Maintenance & Operations	348,867	301,349	47,518
General Expenses	94,519	83,394	11,125
Depreciation Expense	370,098	353,315	16,783
Housing Assistance Payments	2,222,122	2,098,403	123,719

The Commission's cash position decreased during the year, accounts receivable decreased, investments increased, our prepaid expenses increased; our fixed assets before depreciation remained unchanged, total liabilities decreased, and Net Assets increased. Tenant rents decreased, and HUD grants decreased.

HUD grants decreased as a result of additional Project Based Section 8 Housing Choice Vouchers that were funded last year, and only the leased units were funded in the current year; the results, voucher grants decreased \$ 1,575,005. Our Capital funds were decreased because we only drew some operating cost and did not withdraw any capital asset funds.

Administrative expenses increased, tenant services increased, utilities remained unchanged, maintenance increased, housing assistance payments increased, and depreciation increased.

Our cash position decreased as a result of increasing our investments (cash decreased \$ 1,718,419, investments increased \$ 2,106,627; additional cash for investments came from a reduction of both accounts receivable and liabilities). Accounts receivable decreased as a result of collecting our HUD accounts receivable from last year in the amount of \$ 142,802- we do not have any accounts receivable from HUD at year end. Prepaid expenses increased because we prepaid an employee health insurance premium at year end.

We did not acquire any fixed assets during the year; liabilities decreased as a result of offsetting an account receivable against deferred revenue in the capital program- neither the receivable or deferred revenue materialized (\$ 132,977). Net Assets increased in the amount of the Net Income \$ 19,894.

Management Discussion and Analysis, continued

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, Capital grants authorized and obligated during the year, and Housing Assistance Payments under the Section 8 New Construction and Housing Choice Vouchers programs.

Significant changes in expenses during the year included Administrative Expenses, Maintenance and Operations, General Expenses, Housing Assistance Payments, and Depreciation.

Administrative and Maintenance cost were increased as a result of hiring an additional administrative and maintenance person; also employee benefits increased as a result of increased health insurance cost. General expenses increased as a result of an increase in PILOT due, (\$ 4,321), and additional write of uncollectible accounts receivable (\$ 7,115). Depreciation increased 4% due to normal calculations using the straight line method of write off; HAP's increased because we increased the number of opt out vouchers leased.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2007</u>	<u>Year 2006</u>
Low Rent Public Housing	167	167
* Section 8 New Construction	0	60
Section 8 Housing Choice Vouchers	528	318

\* Program terminated July 1, 2007, see footnote # 9.

**General Fund Budgetary Highlights**

The Commission approved an annual budget on November 6, 2006 for the budget year ending December 31, 2007; we had no occasion to amend the budget. The significant differences between our budget and actual results are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Interest Income	\$ 4,500	\$ 193,037	\$ 188,537
Capital Fund-revenue	184,066	57,500	(126,566)
Fixed Asset Acquisitions	141,000	0	141,000
Administrative Cost-other	138,966	127,833	11,133
Utilities	188,619	170,193	18,426
Operating Income (Loss)	(242,385)	19,894	262,279

Management Discussion and Analysis, continued

At the time we proposed the annual budget, we did not know how many opt out Section 8 vouchers would be leased and whether the funding would be available for investments; it turns out that we had a majority of the funds available for investment purposes. Our Capital Fund plans were put on hold, and therefore we never withdrew the \$ 125,000 for improvements. Other expenses were within the expected margin of error.

**Entity Wide Capital Assets**

The fixed assets before depreciation did not change; our plans for future improvements include the following:

Replace boiler	\$	97,072
Convert units to 504 compliance		48,000
Purchase Commission Vehicle		17,000

The above improvements will be funded through the 2007 & 2008 Capital Fund Programs.

**Commission's Position**

The Commission plans to use the 2007 and 2008 capital funds as stated above.

Two years ago the Commission accepted an additional 371 Housing Choice Vouchers; the additional Vouchers required enlarging our administrative offices and hiring additional personnel. The Commission believes the need exists in our community for these services and has accepted the responsibility to administer those programs.

The Commission was notified in early 2007 that the Housing Assistance Payment Administrative Contract for the section 8 Mod Rehab program was going to be terminated effective July 1, 2007; the loss of this program was not expected or requested, however, the financial impact will not adversely affect the overall operations of the Commission.

Although we anticipate current funding levels for operations and capital improvements will remain consistent with past years, some uncertainty exists. The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs; however, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Deborah Wilson, Executive Director  
415 Withington  
Ferndale, Michigan 48220

*John C. DiPiero, P.C.*

Certified Public Accountant

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Hemlock, Michigan 48626  
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Board of Commissioners  
Ferndale Housing Commission  
415 Withington  
Ferndale, Michigan 48220

### **Independent Auditor's Report**

I have audited the financial statements of the Ferndale Housing Commission Business Type Activities as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ferndale Housing Commission as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 17, 2007, on my consideration of the Ferndale Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

July 19, 2007

FERNDALE HOUSING COMMISSION  
Statement of Net Assets  
December 31, 2007

**ASSETS**

**C-3089**

CURRENT ASSETS

Cash	\$ 556,284	
Cash- Restricted	<u>978,311</u>	\$ 1,534,595
Accounts Receivable- Tenants (net of allowance of \$ 555)		4,990
Accounts Receivable- HUD		9,825
Investments	\$ 154,088	
Investments-Restricted	<u>2,196,956</u>	\$ 2,351,044
Prepaid Expenses		<u>30,181</u>
 Total Current Assets		 \$ 3,930,635

NON CURRENT ASSETS

Land	\$ 823,793	
Buildings		5,684,153
Furniture, Equipment- Dwelling		38,212
Furniture, Equipment- Administrative		213,404
Leasehold Improvements		3,479,756
Construction in Progress		45,456
Accumulated Depreciation		<u>(4,675,836)</u>
 Total Non Current Assets		 <u>5,608,938</u>

TOTAL ASSETS \$ 9,539,573

FERNDALE HOUSING COMMISSION  
Statement of Net Assets  
December 31, 2007

LIABILITIES & NET ASSETS

C-3089

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	37,608
Accounts Payable- HUD		15,297
Accrued Compensated Absences		22,279
Tenants Security Deposit		32,297
Accounts Payable- Other Governments		19,509
Deferred Revenue		<u>1,622</u>
<u>Total Current Liabilities</u>	\$	128,612

NON CURRENT LIABILITIES

Accrued Compensated Absences-non current		<u>69,207</u>
<u>Total Liabilities</u>	\$	197,819

NET ASSETS:

Invested in Capital Assets, net of Related Debt	\$	5,608,938
Unrestricted Net Assets		<u>3,732,816</u>
<u>Total Net Assets</u>		<u>9,341,754</u>

<u>TOTAL LIABILITIES &amp; NET ASSETS</u>		\$ <u>9,539,573</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements

FERNDALE HOUSING COMMISSION  
 Combined Statement of Revenues, Expenses, and Changes in Net Assets  
 For the year ended December 31, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 361,726	
Tenant Revenue-Other	9,005	
HUD Grants	3,196,029	
Interest Income	16,072	
Interest Income-Restricted	176,965	
Other Income	<u>27,215</u>	
<u>Total Operating Revenue</u>		\$ 3,787,012

OPERATING EXPENSES

Administrative	\$ 555,230	
Tenant Services	6,089	
Utility Expenses	170,193	
Ordinary Maintenance	348,867	
Protective Services	600	
General Expenses	93,919	
Housing Assistance Payments	2,222,122	
Depreciation Expenses	<u>370,098</u>	

Total Operating Expenses 3,767,118

Operating Income (Loss) \$ 19,894

Total Net Assets- Beginning 9,321,860

Total Net Assets- Ending \$ 9,341,754

The Accompanying Notes are an Integral part of the Financial Statements

FERNDALE HOUSING COMMISSION  
 Combined Statement of Cash Flows  
 For the Year Ended December 31, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	368,613
Payments to Suppliers		(5,067,054)
Payments to Employees		(436,259)
HUD Grants		3,196,029
Other Receipts (Payments)		<u>220,252</u>
Net Cash Provided (Used) by Operating Activities	\$	(1,718,419)

CASH FLOWS FROM CAPITAL AND  
 RELATED FINANCING ACTIVITIES

Purchases of Capital Assets		<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalentents	\$	(1,718,419)
Balance- Beginning of Year		<u>3,253,014</u>
Balance- End of Year	\$	<u>1,534,595</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
 CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$	19,894
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		370,098
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		(1,563)
Investments		(1,982,016)
Prepaid Expenses		(6,382)
Changes in Liabilities Increase (Decrease):		
Accounts Payable		(27,347)
Accounts Payable- HUD		15,297
Accounts Payable-Other Governments		4,677
Accrued Compensated Absences		21,935
Deferred Revenue		(134,040)
Security Deposits		<u>1,028</u>
Net Cash Provided by Operating Activities	\$	<u>(1,718,419)</u>

The Accompanying Notes are an Integral part of the Financial Statements

FERNDALE HOUSING COMMISSION  
Notes to Financial Statements  
December 31, 2007

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Ferndale Housing Commission, Ferndale, Michigan, (Commission) was created by ordinance of the city of Ferndale. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 96 1, 2, 4	Low rent program	167 units
MI 28 V	Section 8 Vouchers	528 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Proprietary Funds**

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or

Notes to Financial Statements- continued

services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Basis of Accounting-**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they don't conflict with Governmental Accounting Standards Board (GASB) pronouncements.

**Budgetary data-**

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

**Assets, Liabilities, and Net Assets-**

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 1,401,873
Petty Cash	100
Investments reclassified as cash equivalents	<u>132,622</u>
Total Cash & cash equivalents	\$ <u>1,534,595</u>

Investments:

Certificates of Deposit	\$ 2,190,734
Savings Account	<u>292,932</u>
	\$ 2,483,666
Reclassified as Cash equivalents, above	<u>(132,622)</u>
Financial Statement Total	\$ <u>2,351,044</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 1,401,873	\$	\$	\$ 1401,873	\$1401,873
Savings Accounts	132,622			132,622	132,622
Petty Cash	<u>100</u>			<u>100</u>	<u>100</u>
Total Cash	<u>\$ 1,534,595</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1534,595</u>	<u>\$1534,595</u>
Investments:					
C/D's	\$ 2,190,734	\$	\$	\$ 2190,734	\$2190,734
Savings Account	<u>160,310</u>			<u>160,310</u>	<u>160,310</u>
Total Invest	<u>\$ 2,351,044</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2351,044</u>	<u>\$2351,044</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 2: Prepaid Expenses

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 17,894
Prepaid Employee Benefits	<u>12,287</u>
	<u>\$ 30,181</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>12/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/07</u>
Land	\$ 823,793	\$	\$	\$ 823,793
Buildings	5,684,153			5,684,153
Furniture & Equipment-Dwellings	38,212			38,212
Furniture & Equipment-Admin	213,404			213,404
Construction in Progress	45,456			45,456
Leasehold Improvements	<u>3,479,756</u>			<u>3,479,756</u>
	<u>\$10,284,774</u>	<u>\$</u>	<u>\$</u>	<u>\$10,284,774</u>
Less Accumulated Depreciation	<u>4,305,738</u>	<u>370,098</u>		<u>4,675,836</u>
	<u>\$ 5,979,036</u>	<u>\$ (370,098)</u>	<u>\$</u>	<u>\$ 5,608,938</u>

Notes to Financial Statements- continued

Note 4: Deferred Revenue

Deferred Revenue consist of the following:

Prepaid Rent	\$	1,622
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Note 5: Pension Plan

The Ferndale Housing Commission contributes to a Simplified Employee Pension Plan, (SEPP). The Commission pays a percentage of all eligible employees wages to the fund. Employees are 100 % vested as soon as they are eligible. Eligibility requirements are as follows: full time employee, over 21 years of age, and have worked for the Commission for at least three of preceding five years. Information concerning the pension fund is contained in a separate audit report.

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 22,058,400
General Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 9: Effective July 1, 2007, the Section 8 Mod Re-hab administrative contract was taken over by another agency per instructions from HUD. The decision to terminate the contract was mandated by HUD and the Commission had no recourse in the decision. The Commission operated the program from January 1, 2007 to June 30, 2007.

Ferndale Housing Commission

31-Dec-07

MI096

Combining Balance Sheet		Low Rent 14.850	Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	Section 8 Mod Rehab 14.856	TOTAL
Line Item #						
	<b>ASSETS:</b>					
	CURRENT ASSETS:					
	Cash:					
111	Cash - unrestricted	92,145	423,650	-	1,651	517,446
112	Cash - restricted - modernization and development	-	-	-	-	-
113	Cash - other restricted	-	978,311	-	-	978,311
114	Cash - tenant security deposits	38,838	-	-	-	38,838
100	Total cash	130,983	1,401,961	-	1,651	1,534,595
	Accounts and notes receivables:					
121	Accounts receivable - PHA projects	-	9,825	-	-	9,825
122	Accounts receivable - HUD other projects	-	-	-	-	-
124	Accounts receivable - other government	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-
126	Accounts receivable- tenants - dwelling rents	5,545	-	-	-	5,545
126.1	Allowance for doubtful accounts - dwelling rents	(555)	-	-	-	(555)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-
127	Notes and mortgages receivable- current	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	4,990	9,825	-	-	14,815
	Current investments					
131	Investments - unrestricted	115,601	-	-	38,487	154,088
132	Investments - restricted	-	2,196,956	-	-	2,196,956
142	Prepaid expenses and other assets	30,181	-	-	-	30,181
143	Inventories	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-
144	Interprogram - due from	-	63,618	-	-	63,618
146	Amounts to be provided	-	-	-	-	-
150	TOTAL CURRENT ASSETS	281,755	3,672,360	-	40,138	3,994,253
	NONCURRENT ASSETS:					
	Fixed assets:					
161	Land	823,793	-	-	-	823,793
162	Buildings	5,684,153	-	-	-	5,684,153
163	Furniture, equipment & machinery - dwellings	38,212	-	-	-	38,212
164	Furniture, equipment & machinery - administration	213,404	-	-	-	213,404
165	Leasehold improvements	3,479,756	-	-	-	3,479,756
166	Accumulated depreciation	(4,675,836)	-	-	-	(4,675,836)
167	Construction in Progress	-	-	45,456	-	45,456
160	Total fixed assets, net of accumulated depreciation	5,563,482	-	45,456	-	5,608,938
171	Notes and mortgages receivable - non-current	-	-	-	-	-
172	Notes and mortgages receivable-non-current-past due	-	-	-	-	-
174	Other assets	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	5,563,482	-	45,456	-	5,608,938
190	TOTAL ASSETS	5,845,237	3,672,360	45,456	40,138	9,603,191

LIABILITIES AND EQUITY					
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	37,608	-	-	37,608
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	-			-
322	Accrued compensated absences	22,279			22,279
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		-	15,297	15,297
332	Accounts Payable - PHA Projects				-
333	Accounts payable - other government	19,509	-	-	19,509
341	Tenant security deposits	32,297			32,297
342	Deferred revenues	1,622		-	1,622
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	-	-		-
347	Inter-program - due to	44,241	-	-	19,377
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>157,556</b>	<b>-</b>	<b>-</b>	<b>34,674</b>
<b>NONCURRENT LIABILITIES</b>					
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences-Non Current	69,207		-	69,207
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>69,207</b>	<b>-</b>	<b>-</b>	<b>69,207</b>
300	<b>TOTAL LIABILITIES</b>	<b>226,763</b>	<b>-</b>	<b>-</b>	<b>34,674</b>
<b>EQUITY:</b>					
501	Investment in general fixed assets				-
Contributed Capital:					
502	Project notes (HUD)				-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
508.01	Net Assets invested in Capital Assets	5,563,482		45,456	5,608,938
508	Total contributed capital	5,563,482	-	45,456	5,608,938
Reserved fund balance:					
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	54,992	3,672,360	-	5,464
513	<b>TOTAL EQUITY</b>	<b>5,618,474</b>	<b>3,672,360</b>	<b>45,456</b>	<b>5,464</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,845,237</b>	<b>3,672,360</b>	<b>45,456</b>	<b>40,138</b>
		-	-	-	-

Ferndale Housing Commission

31-Dec-07

MI096

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	Section 8 Mod Rehab 14.856	TOTAL
Line Item #						
	<b>REVENUE:</b>					
703	Net tenant rental revenue	361,726	-			361,726
704	Tenant revenue - other	9,005				9,005
705	Total tenant revenue	370,731	-	-	-	370,731
706	HUD PHA grants	307,817	2,577,399	57,500	253,313	3,196,029
708	Other government grants		-			-
711	Investment income - unrestricted	9,388	5,224	-	1,460	16,072
712	Mortgage interest income					-
714	Fraud recovery		22,074			22,074
715	Other revenue	5,141	-	-		5,141
716	Gain or loss on the sale of fixed assets	-				-
720	Investment income - restricted		176,965			176,965
700	<b>TOTAL REVENUE</b>	693,077	2,781,662	57,500	254,773	3,787,012
	<b>EXPENSES:</b>					
	Administrative					
911	Administrative salaries	78,674	220,963		9,293	308,930
912	Auditing fees	1,825	2,325		500	4,650
913	Outside management fees					-
914	Compensated absences	9,198				9,198
915	Employee benefit contributions- administrative	27,439	78,993		2,837	109,269
916	Other operating- administrative	53,212	44,950	22,500	2,521	123,183
	Tenant services					
921	Tenant services - salaries					-
922	Relocation costs	-				-
923	Employee benefit contributions- tenant services					-
924	Tenant services - other	1,139	4,950			6,089
	Utilities					
931	Water	86,145				86,145
932	Electricity	31,739				31,739
933	Gas	52,309				52,309
934	Fuel					-
935	Labor					-
937	Employee benefit contributions- utilities					-
938	Other utilities expense	-				-
	Ordinary maintenance & operation					
941	Ordinary maintenance and operations - labor	127,329				127,329
942	Ordinary maintenance and operations - materials & other	18,238				18,238
943	Ordinary maintenance and operations - contract costs	76,909	23,365	35,000		135,274
945	Employee benefit contributions- ordinary maintenance	68,026				68,026
	Protective services					
951	Protective services - labor					-

952	Protective services- other contract costs	600				600
953	Protective services - other					-
955	Employee benefit contributions- protective services					-
	General expenses					
961	Insurance premiums	50,293				50,293
962	Other General Expenses					
963	Payments in lieu of taxes	19,153				19,153
964	Bad debt - tenant rents	24,473				24,473
965	Bad debt- mortgages					-
966	Bad debt - other					-
967	Interest expense					-
968	Severance expense	-				-
969	<b>TOTAL OPERATING EXPENSES</b>	726,701	375,546	57,500	15,151	1,174,898
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	(33,624)	2,406,116	-	239,622	2,612,114
971	Extraordinary maintenance	-				-
972	Casualty losses - non-capitalized	-				-
973	Housing assistance payments		1,980,120	-	242,002	2,222,122
974	Depreciation expense	370,098		-		370,098
975	Fraud losses					-
976	Capital outlays- governmental funds	-			-	-
977	Debt principal payment- governmental funds					-
978	Dwelling units rent expense					-
900	<b>TOTAL EXPENSES</b>	1,096,799	2,355,666	57,500	257,153	3,767,118
	<b>OTHER FINANCING SOURCES (USES)</b>					
1001	Operating transfers in (out)	-		-		-
1002	Operating transfers out					-
1003	Operating transfers from/to primary government					-
1004	Operating transfers from/to component unit					-
1005	Proceeds from notes, loans and bonds					-
1006	Proceeds from property sales					-
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-	-
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER</b>	(403,722)	425,996	-	(2,380)	19,894


FERNDALE HOUSING COMMISSION  
Schedule of Federal Financial Assistance  
For the Year Ended December 31, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3029 Operating Subsidies	\$ <u>307,817</u>
* <u>CFDA 14.855 Housing Assistance Program</u>	
C-3099V Section 8 Housing Choice Vouchers	\$ <u>2,577,399</u>
<u>CFDA 14.872 Capital Projects Program</u>	
C-3029 Capital Projects Funds	\$ <u>57,500</u>
<u>CFDA 14.856 Lower Income Housing Assistance</u>	
C-3117 Section 8 New Construction	\$ <u>253,313</u>
	\$ <u>3,196,029</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

FERNDALE HOUSING COMMISSION  
Status of Prior Audit Findings  
December 31, 2007

The prior audit of the Ferndale Housing Commission for the period ended December 31, 2006, did not contain any audit findings.

FERNDALE HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
December 31, 2007

I have audited the financial statements of the Ferndale Housing Commission of Ferndale, Michigan, as of and for the year ended December 31, 2007, and have issued my report thereon dated July 19, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Ferndale Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant  
Hemlock, Michigan  
July 19, 2008

FERNDALE HOUSING COMMISSION  
Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133  
December 31, 2007

Compliance

I have audited the compliance of the Ferndale Housing Commission of Ferndale, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant  
Hemlock, Michigan  
July 19, 2008

FERNDALE HOUSING COMMISSION  
 Schedule of Findings and Questioned Cost  
 December 31, 2007

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Program- Vouch	X	
Capital Projects Funds		X

Opinions:

Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Control Deficiency (ies) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Control Deficiency (ies) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

Name of Federal Program	Major Program	Questioned Costs	Audit Finding Number
Low Rent Public Housing	Yes	None	N/A
Section 8 Housing Vouchers	Yes	None	N/A
Capital Fund Project	No	None	N/A